



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Key Elements of Democratic Stimulus Plan

- **Overview** — The Democratic stimulus plan will get our economy moving and put Americans to work. Our plan will provide a \$136 billion stimulus in 2003 (about one percent of GDP), enough to create at least one million new jobs, lower the risks of a double-dip recession, and produce a more robust recovery. At the same time, it avoids the long-term costs of some proposals and therefore allows deficits to shrink once robust growth resumes.
- **An Effective Stimulus** — The Democratic plan is front-loaded and fast-acting, providing an immediate jump start to the economy. It boosts both consumer demand and business investment in 2003, to stimulate hiring and help workers struggling to find jobs. It maximizes the bang for the buck by helping consumers who are most likely to spend and businesses that are most likely to invest and hire new workers.
- **A Fiscally Responsible Stimulus** — Our plan supplies an effective stimulus of \$136 billion this year, but its ten-year impact on the budget is less (\$100 billion), allowing the budget to recover as the economy recovers.
- **Targeted Assistance to Those Looking for Jobs** — Our plan (based on the Rangel bill) extends unemployment benefits retroactively for 26 weeks, and provides temporary aid to states to broaden coverage to low-wage earners and part-time workers. This assistance for those looking for work will stimulate consumer demand by putting money in the pockets of those most likely to spend it. Cost = \$18 billion in 2003, \$10 billion over 2003-2013.
- **Tax Relief for Working Families** — Our plan provides a refundable tax rebate of up to \$300 per person or \$600 per working couple. Within months, this provision will put money in the pockets of average Americans—boosting consumer demand and the business investment needed to meet it. This tax rebate will deliver far more immediate stimulus to the economy than the Republican proposal of providing long-term tax breaks for recipients of taxable dividends. Cost = \$55 billion in 2003, \$58 billion over 2003-2013.

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- ***Tax Relief for Businesses*** — The Democratic plan provides tax relief to businesses to generate investment and jobs in 2003. Our plan allows small businesses to expense up to \$50,000 of the cost of new investments made in 2003, double the current limit. For all businesses, our plan restructures last year's bonus depreciation provisions so that firms can write off a 50 percent bonus in 2003 and only a 10 percent bonus in 2004. Both business tax components encourage investment now, when the economy needs a boost. Cost = \$32 billion in 2003, \$1 billion over 2003-2013.
- ***Targeted Assistance, Including Help for States and Localities*** — Fiscal crises in the states are forcing tax increases and cuts in critical programs, undermining the economy's recovery. Our plan provides states with funds to avoid these cuts and to address critical needs in areas including Medicaid (\$10 billion in 2003 and over 2003-2013), homeland security (\$10 billion in 2003 and over 2003-2013), and transportation infrastructure (\$5 billion in 2003 and over 2003-2013). The package provides an additional \$6 billion in one-time assistance to help those hurt most by unemployment and a stagnant economy. Total cost = \$31 billion in 2003 and over 2003-2013.